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INTRA-AFRICAN TRADE
TRADE AMONG SUB-SAHARAN AFRICAN COUNTRIES
CURRENT FLOWS AND PROSPECTS

E/NAIROB

INTRODUCTION [1]

1. Africa is the least developed region in the world and African economies are characterized by relatively strong trade ties with developed market economies. Recent evaluations of the impact of external factors on the achievement of economic development in Africa show that substantial increases in trade exchanges with developed market economies over the last twenty years and before have failed to have a corresponding favourable impact on the socio-economic development either of the region as a whole or of individual countries. On the contrary the terms of trade of many countries have in fact been deteriorating steadily as a result of persistent inflation and recession in the developed countries which have adversely affected the international demand of Africa's traditional exports and tremendously increased the unit prices of goods imported by African countries.

2. Even though the interdependence of the world economy is an acknowledged fact there has been no real effort by the international community to improve the international economic environment within which African countries can effectively implement their development policies. It has become more and more obvious that African development policies should first of all be based on the internal needs and socio-economic realities of the continent. In other words, the development engine should come primarily from within at the national, subregional and regional levels.

3. The peculiar situation of African countries and the unviability of individual domestic markets and economies call for the development of intra-African co-operation and integration for the attainment of collective self-reliance as called for by the Lagos Plan of Action. Intra-African trade is meant to constitute the mainstay of the present African development strategy, both as a means of diversifying the overall trade of the region and of concretizing self-reliance and assisting in the economic development of Africa.

4. The purpose of this paper is to describe the structure of intra-African trade first, and secondly to analyse the state of intra-African trade and its current flows, diagonose the obstacles to the promotion of intra-African trade and identify the potential for expanding it.

1/ Analysis in the document are based on statistical data available in document E/CN.14/STAT/SER.C/3 and the statistical compendium on intra-African trade. Both documents are distributed along with this paper.

CHAPTER I

THE CURRENT STATE OF INTRA-AFRICAN TRADE 2/

A. Overall trends of intra-African trade

5. An analysis of the state of intra-African trade reveals that not only is it at a very low level but is actually declining. In 1970, intra-African trade reached a recorded level of 7.2 per cent but since that year a declining trade set in until a low level of 3.7 per cent was recorded in 1978. The latest estimates show that intra-African trade as a proportion of the region's total trade has been around 4 per cent (see table 1). The importance of unrecorded border trade in Africa is not included in the aforementioned figures and could substantially change the level.

6. From 1970 to 1982, African imports originating in the African region as a percentage of total African imports registered a higher proportion than that of exports, except for 1978 when the share of African exports to the African region was higher than the percentage share of imports. From 8.1 per cent in 1970 intra-African imports as a percentage of total Africa's imports fell to less than 4 per cent for the last five years and intra-African exports for the same period followed more or less the same declining pattern and the latest estimates indicate that they were 4 per cent and under in the last four years.

7. The declining trends of intra-African trade are a result of inter alia:

- the prevailing inward looking import substitution policies (which mainly affect exchanges of manufactured goods);
- the preference for extra-regional transactions (imports and (exports);
- the non availability of goods within Africa;
- the prevailing cash hard currency crisis.

2/ Even though many attempts were made to dichotomize the continent in Northern and Sub-Saharan Africa (See BERG Report and various international agencies), we hold the view that Africa North and South the SAHARA should be dealt with as a whole. The diversity between the various African countries calls for an integrated approach based on their complementarities. Trade links between North Africa and Sub-Saharan are effective in many products and their potential is considerable in timber, wood, wood items, fruits and vegetables, mineral fuels, fish and fish products, hides and skins, leather and groundnuts etc.

8. In addition to these causes, it is interesting to note that the declining trade in intra-African trade actually corresponded to the period of accentuated monetary instability in the world, particularly from the early 1970's and the prolonged recession in developed market economies from 1974 which decreased the expected demand for and prices of their major export products, resulting in the prevailing cash hard currency crisis and a reduction of Africa's overall purchasing power. The declining trend of intra-African trade also came along with the shift in Africa's demand towards increasing imports of capital goods and industrially produced components and raw materials such as synthetics, plastics, rolled metal products, most of the industrial ventures being in the light sectors requiring inputs unavailable in the region and giving insufficent attention to the processing of locally available raw materials. The industrialization pattern mainly transmitted growth to the industrialized countries and did not generate enough resources for the financing of intra-African trade. This was aggravated by the sharp rises in oil prices which adversely affected the ability of non oil producing African countries to import not just from outside but also from within Africa what can be said with a fair amount of certainty is that the low level of intra-African trade and the declining trend are manifestations of the existence of obstacles to intra-African which will be further analysed in another section of this paper after describing more closely intra-African trade in the light of its present flows including its commodity composition and its geographical distribution.

B. Currents flows of intra-African trade

9. An analysis of the structures and flows of intra-African trade reveals that they are subregionally-oriented, based on limited exchanges in long distance trade in terms of products coverage and number of partner-countries; the level of transactions is rather low and the products exchanged are mainly agricultural and food items.

"Subregionalization" of intra-African trade flows

10. Subregionalization of trade means that major trading partners of the countries are most of all their immediate neighbours or countries within the same subregional grouping whether the latter is integrated or not.

11. Recorded trade of seven West African countries including Benin, Cape Verde, Ivory Coast, Liberia, Nigeria, Senegal, Togo for the year 1970 revealed that their intra-subregional trade represented more than 75 per cent of their total intra-African trade. Out of total exports to developing Africa amounting US$ 521 [illegible] 000. These countries sold to ECOWAS partners for 428 951 000 U.S. dollars and bought US$ 293 439 000, their total imports from developing Africa being US$ 1 422 195 000.

12. The North African countries' intra-subregional trade for the same period was about 50 per cent their total intra-African trade i.e. US$ 592 548 000 out of US$ 1 227 857.

13. The Eastern and Southern African subregion followed more or less the same pattern with a ratio of about 75 per cent for reporting countries including Botswana, Djibouti, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Seychelles and Tanzania. The only exception to this sub-regionalization is Central Africa whose trade with Eastern and Southern African countries is more important than its own intra-subregional trade, its imports from Eastern and Southern Africa represented US$ 85 642 000 mainly from Kenya (25 970 000), Zimbabwe (35 574 000) and Zambia (14 237 000); for the same period intra-subregional imports of Central Africa were US$ 59 975 000. The figures for exports were respectively US$ 55 775 000 to Eastern and Southern Africa and US$ 87 102 000 at the Central African subregional level.

Long distance trade

14. With regard to other aspects of intra-African trade, there is considerable reduction in number of substantive partners and limited products covered. Partners and volume of trade are far more important within the same subregion or with contiguous subregions than with distant subregions: North African countries' intra-trade in 1978 amounted US$ 592 546 000, their trade with West Africa their immediate neighbours represented US$ 219 806 000 while trade with Central and Eastern-Southern Africa were respectively US$ 111 166 and US$ 131 175. For West Africa the figures were respectively US$ 722 390 000 for intra-subregional trade, trade with North Africa was US$ 136 741 000 while Eastern and Southern Africa traded with West Africa only for US$ 18 753 000. Trade between West and Eastern-Southern Africa is very often on a limited range of products: Mauritania's imports from Malawi is exclusively unmanufactured tobacco. The only export of Kenya to Ghana is cereals and preparations. East African supplies to Ivory Coast (from Kenya and Tanzania) were cigarettes and Agave fibers and waste. The same trade pattern (limited range of products) applies to distant trade of the majority of African countries.

Commodity coverage of intra-African trade 3/

15. Products identified as being traded among African countries are mainly five hundred most of which belong to S.I.T.C. Section 0, 1, 2, 3 and 4. Food and live animals, beverages and tobacco, crude materials, mineral fuels, animal and vegetables oils and fats constitute over 75 per cent of intra-African trade. Intraregional trade in chemicals (S.I.T.C. 5), manufactured goods (S.I.T.C 6 & 8), machinery and transport equipment (S.I.T.C. 7) are still at a rather low level.

3/ (See list in annex and ECA Statistical compendium on intra-African trade and ECA Foreign Trade Statistics for Africa, E/CN.14/STAT/SERC/3).

Unrecorded border trade

16. Unrecorded border trade in Africa is very rarely dealt with in studies on intra-African trade, although in some cases its impact might be as important as the officially identified flows of intra-African trade. The present artificial borders of African countries inherited from colonial powers could not totally destroy ethnographic structures, traditional complementarities and trade networks. Unrecorded border trade is even being reinforced by differences among the existing African political regimes and their economic contradictions including customs and fiscal regulations, price differentials, different trade regulations exchange rates and monetary policies. Unrecorded border trade flows are unavoidable the only way of coping with its adverse effects is to accelerate integration among neighbouring countries and to effectively harmonize economic policies with a view to providing a legal framework to the "genuine African common market" already established by border traders.

C. Obstacles to the expansion of intra-African trade

17. There are numerous factors limiting the expansion of intra-African trade and unless these obstacles are identified and removed and the relevant institutions and infrastructures to facilitate such trade are introduced and actually implemented at both the regional and subregional levels, intra-African trade may actually continue decreasing. Demand-supply divergence, supply constraints (qualitative and quantitive), protectionist trade policies including tariff and non-tariff barriers, inadequacy of transport and marketing facilities, monetary problems.

1. Demand/supply divergence

18. One of the fundamental factors in the low-level of intra-African trade is the divergence between African production structures and demand patterns. Most African countries are primary producers whereas their most pressing needs are for manufactured goods in which developed countries at present play a dominant role. The manifestations of under-development are here expressed as the divergence in the pattern of domestic/subregional resource use, domestic or subregional demand and needs. Thus, the principal goal must be to seek a linkage between production, demand and consumption. To the extent that there are serious divergences between production structures and demand patterns within the African region, this represents a formidable obstacle to the promotion of intra-African trade. Therefore, production in African countries should be oriented towards African markets.

19. The expansion of intra-African trade is also hindered by a variety of supply constraints which arise because of weaknesses in quality controls particularly in manufactured goods. Prospective importers will naturally look for quality goods at reasonable prices. Some manufactured products originating in African countries are of poor quality and are sometimes

overpriced thereby making them uncompetitive within the African region. The fact that quality and technical standards including standards of measurement are not harmonized within the African region constitutes another set of obstacles to the promotion of intra-African trade.

20. Another obstacle to intra-African trade related to supply constraints is concerned with insufficient utilization of local or subregional raw materials with the consequent low value added and difficulty in satisfying rules of origin requirements in cases where subregional integration and economic co-operation schemes have been established. This situation is manifested by unreliability of African supplies which, in turn, points to the insufficiency of planning of specialization and subregional complementarity to ensure long and economic production runs at subregional or regional levels. Intra-African trade depends upon the availability of goods produced within the region at reasonable prices. In addition cost structures of individual African products are uncompetitive compared to similar products from developed market economies. Whatever the reasons are for such uncompetitive cost structures in neighbouring African countries as compared to cost structures in developed countries, the fact is that such differences compel importers to depend on supplies from abored.

21. Africa is generally a net exporter of products classified as food and live animals. The region is at the same time a net importer of processed products falling under this category. For instance, Africa imported canned meat valued at US$ 83 556 000, US$ 78 811 000 and US$ 83 701 000 and exported canned meat valued at US$ 14 242 000, US$ 13 203 000 and US$ 14 646 000 in 1981, 1982 and 1983 respectively. The disparities between African imports and exports of sausages, canned meat, and prepared/preserved meat as shown by large trade deficits partly confirm the arguments advanced above on the inadequacy of production structures in terms of reliability of supplies, and uncompetitiveness of cost structures. The raw materials from which these imports are produced are available in abundance within the African region as evidenced by the fact that the African region is a net exporter of live animals. Part of the explanation for trade deficits lies in the inadequacy of marketing and physical infrastructures, which is discussed later on.

22. The same is true of other trade items in the classification of food and live animals. The import deficits represented by the differentials between imports and exports of milk (condensed, dry, fresh), butter, and cheese and curd indicate that supply constraints are a major obstacle to intra-African trade and that demand for these items in the region is high. In the case of canned meat or meat prepared and preserved, only seven African countries (Ethiopia, Kenya, Madagascar, Senegal, Swaziland, the United Republic of Tanzania and Zimbabwe) were exporters although their exports fell far short of the demand for these items. Only three countries (Kenya, Madagascar and Senegal) export sausages, mainly to Europe.

23. A few African countries produce and export some of the products covered by the category "Food and live animals". A sample of these products and the countries that produce and export them is as follows:

Eggs in shell: Kenya, Ethiopia, Gabon and .

Cereals: Zimbabwe, Niger, Sudan, Mozambique, Morocco, Malawi, Madagascar, Kenya, Ivory Coast and Egypt.

Wheat + flour + wheat equivalent: Ivory Coast, Kenya and Tunisia.

Maize: Zimbabwe, Kenya and Zambia.

Potatoes: Algeria, United Republic of Cameroon, Egypt, Ethiopia, Ivory Coast, Kenya, Morocco, Senegal, United Republic of Tanzania and Tunisia.

Tomatoes: Morocco, Senegal, Liberia, Ivory Coast and Egypt.

Oranges, tangerines etc.: Algeria, Egypt, Morocco, Senegal and Tunisia.

Cottonseed oil: Kenya, Senegal, Burundi, Egypt, Ethiopia, Nigeria, Sudan, United Republic of Tanzania, Mauritius and Upper Volta.

Animal oil + fats + grease: Kenya.

Bananas: Angola, United Republic of Cameroon, Cape Verde, Equatorial Guinea, Ethiopia, Ivory Coast, Madagascar and Senegal.

2. Tariff and non-tariff barriers

24. All African countries use tariff and non-tariff barriers to regulate the movement of goods among themselves and between them and the rest of the world. The reasons given for the use of tariff and non-tariff barriers are many and varied. The more common arguments seem to be national security, revenue considerations, protection of infant industry to promote diversification of national economies or promotion of self-reliance. Whatever the merits or demerits of these arguments, the point is that tariff and non-tariff barriers are among the many obstacles to the expansion of intra-African trade. This factor is relevant since African countries discriminate against each other in the use of these policy instruments in particular to protect textile industries which do not compete with overseas but with other African industries.

25. Alongside tariff barriers, each African country utilizes quantitative barriers and prohibitions to frustrate the movement of goods across its national boundaries. Import and export licences and foreign exchange licences

are forms of non-tariff barriers. A number of African countries requires importers and exporters to stipulate import sources and export destinations. Others require advance import deposits as well as imposing special charges for acquiring foreign exchange and import licences. The justification for any of these forms of trade control is the same or similar to that for imposing tariffs. The important point to be made here is that while such barriers are applied to imports from overseas and other African countries, such measures tend to frustrate intra-African trade more severely than trade with developed countries not only because of better knowledge of and, in most cases, better reputation of goods originating in the latter but also the numerous trade promoting incentive offered by developed countries such as availability of credit arrangements to finance African imports from abroad. Such arrangements are not available for intra-African trade.

3. Transport bottlenecks

26. Intra-African trade is also hampered by the very high transport costs between African countries. These costs are a result of the inadequacy of physical infrastructures such as railways and roads. The inadequacy of transport and storage facilities at the national and subregional levels reduces the volume of internal and international trade. The inadequacy of transport, storage and communications facilities in Africa constitutes yet another set of obstacles to the expansion of intra-African trade. It is sometimes easier and even faster for any African country to import goods from Europe than from a sister country in the same subregion just as a result of the inadequacy of transport.

4. Marketing problems

27. Even when the above constraints were removed, intra-African trade would still be faced with marketing problems. First, there is a serious lack of information about the availability of African products. Producers/exporters and consumers/importers have not enough information on markets for their products and the availability of products respectively. Market conditions in any one African country are largely unknown to the majority of African countries. Closely related to this problem is the lack of marketing know-how and the inadequacy of funds for marketing, complicated export and import procedures and documentation, insufficiency of export incentives and the absence of strategies for making African traders direct their commercial efforts towards African markets. These problems indicate that the African region lacks adequate trade promotion arrangements. It is these African institutions that should provide information on African products, assist African traders in directing their efforts towards African markets, assist African countries in devising marketing and in simplifying export and import procedures and documents, etc.

5. Monetary and payments obstacles

28. In addition to the afore-mentioned, lack of credit arrangements to encourage intra-African trade, the inadequacy of clearing and payments arrangements between or among African countries and the inconvertibility of national currencies constitute another obstacle to the promotion of intra-African trade.

CHAPTER II

PROSPECTS FOR INTRA-AFRICAN TRADE - POTENTIAL AND IMPACT OF MEDIUM AND LONG TERM DEVELOPMENT POLICIES ON INTRA-AFRICAN TRADE

A. The potential of intra-African trade

28. The analysis of the current situation of intra-African trade has revealed that 95 per cent of African trade is with countries outside the region. Intra-African trade accounts for less than 5 per cent of total African trade. Notwithstanding this, the potential for the expansion of such trade is substantial in any products

1. Food, food products and live animals

30. The African region is presently facing an acute food deficit. The excess of imports over exports for the last ten years shows an increasing demand trend for food items. An analysis of total African trade deficits and surpluses in selected commodities indicated substantial market potentials for meat and meat products, milk and dairy products, cereals and related items, fruits and vegetable, coffee, groundnut oil, cocoa, fish and fish products etc.

2. Meat and meat products

31. At present a considerable proportion of intra African trade in meat and meat products is unrecorded. However live animals occupy a predominant place in the trade of many African countries. The main livestock involved are bovine cattle, sheep, lamb, goats and poultry. A good proportionof the existing trade is also confined to neighbouring countries

32. In spite of the sporadic trade relations, intra African trade in meat and meat products is of immense importance to many African countries. Currently meat deficit countries of the region are compelled to import from non-African countries. With the increasing demand for meat within Africa, growing markets can be guaranteed and the potential for intra-African trade is considerable. Over the last few years the annual consumption of meat in Africa was 11 kg. per person whereas the world animal consumption average level was 30 kg. per person therefore to bring the average African needs up to international standard, Africa will have to triple its annual production in order to secure an extra 9 millions tons and more since the standards of living are expected to rise.

33. According to various studies, the meat industries in Africa are said to have a high trade potential. The largest exporters 3/ of canned meat are Kenya, Zimbabwe, the United Republic of Tanzania, Madagascar, Ethiopia, Swaziland and Somalia. The bulk of these exports were destined for the European markets. While some African countries exported their canned meat to European and Middle East markets, African importers were supplied principally from Europe, Latin America and New Zealand. The reasons for this pattern of trade in canned meat are said to include transport facilities, old-established trade links, credit facilities, taste, brand loyalty and quality requirements of the traditional African consumer groups particularly those residing in the urban areas.

34. It is also clear from FAO records that Africa is a net importer of sausages and prepared and preserved meat. Angola, Botswana, Ethiopia, the Sudan, Madagascar, Chad, Kenya, Swaziland and Zimbabwe are the largest exporters of fresh, chilled and frozen meat (comprising beef and veal, mutton, pig meat and poultry). They export 35 per cent of total African exports to countries in Europe, 40 per cent to the Middle East and only 25 per cent of their total export in fresh, chilled and frozen meat is destined to other African States. This situation should be compared with the fact that the largest importers of fresh, chilled and frozen meat (ie. Zaire, the Libyan Arab Jamahiriya, the Ivory Coast, Egypt, Zambia and Mauritius) and the minor importers (Gabon, Seychelles, Nigeria, etc.) obtain their supplies mainly from some European countries, Latin America and New Zealand.

35. The potential of intra-African trade in meat is great partly because of the relatively large population of bovine cattle, sheep and goats, pigs and poultry partly because of the increase in demand for fresh meat, processed meat products with the increasing purchasing power in many African countries and also partly due to ever-increasing marketing difficulties in traditional markets of Europe and the stiff competition from other regions that African meat faces in the Middle East.

36. Therefore, trade promotion organizations (national or subregional) can exploit this potential by identifying markets and sources of supply within the African region. Identification of markets would stimulate and expand production with the consequent increase in intra-subregional or intra-African trade in meat. This is possible because of relative similarities of consumer preferences and tastes, the ease with which products can be adjusted to local requirements at the national and subregional levels and the possibility of lowering consumer prices by adjusting quality to actual consumer needs in a particular country or subregion thereby increasing not only the purchasing power but also the size of the market.

3/ See FAO Trade Yearbooks 1976-1983.

3 Milk and dairy products

37. The above analysis equally applies, mutatis mutandis, to the potential for intra-African trade in butter, cheese and curd, condensed, dry and fresh milk and eggs in shell. The basic raw materials of these products are cattle and poultry, the production of which varies from country to country and from subregion to subregion. Countries like Egypt, the Sudan, Zimbabwe, Malawi, Zambia, Botswana and the United Republic of Tanzania are producers of butter and these Kenya was the largest exporter of butter during the period 1976-1978, followed by Botswana and Senegal. Consumption of butter shows an increasing trend as measured by increasing narrowing of the excesses of imports over exports shown in table 2/. These trade deficits in butter call for identification of surpluing areas and orientation and establishment of production processes directed to these markets this is a task that can be assigned to trade promotion organizations.

38. The potential of intra-African trade in condensed, dry and fresh milk can similarly be exploited by identifying present and potential producers. The demand for milk is very high in Africa as shown in table 2, where trade deficits for the African region stood at 942 030 000 in 1976 and increased to 1697 282 000 in 1978. Kenya was the only net exporter of milk during the period 1976-1978. Although Senegal and the Ivory Coast did export some small quantities of milk, they are large net importers while almost all other countries are duly importers of milk, mainly from Europe. Ethiopia imports milk mainly from Kenya.

4 Cereals and related products

39. The potential of intra-African trade in cereals and related products such as maize and rice is limited by production constraints. The trade deficits shown in table 2 simply mean that production falls far short of consumption. While this would seem, at first sight, to limit possibilities for regional trade expansion in these commodities, there is much room for trade at the intra-subregional level especially in particular to meet fluctuations between neighbouring countries. This is already happening to some extent among Zimbabwe, Zambia, Malawi, Botswana and Mozambique in so far as maize is concerned and among a number of countries in West Africa with respect to rice.

5 Fruits, vegetables, oranges, vegetable oils and fats

40. The African region as a net exporter of fresh tomatoes, oranges, tangerines, bananas, green and roasted coffee, cocoa beans, unmanufactured tobacco, groundnut oil and cake. Only 19 African countries recorded trade in fresh tomatoes of which

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2/ FAO Trade Yearbooks 1975-1983.

the largest exporters were Morocco and Egypt. Although table 2 does not show trade in fish, the development of the fish trade in the African region is largely hampered by preservation and trasport facilities. The bulk of fish trade in Central and West Africa is carried out in the form of dried, salted and smoked fish.

41. The principal producers of tinned or bottled fruits and vegetables export to the EEC market. Both the Ivory Coast and Kenya enjoy duty-free access to the EEC market particularly when they export pineapples. Morocco exports to France and the Federal Republic of Germany, while Tunisia exports canned vegetables mainly to Europe. Prospects for increasing intra-African trade arise from increasing restrictions in European markets. However, while some canned products, such as tomato paste are becoming popular in West Africa in that tomato paste is being used as an ingredient in the main dishes, relatively very low purchasing power in most African countries represents a serious obstacle to the expansion of intra-African trade in canned or bottled fruits and vegetables.

42. African imports of cottonseed oil are about 20 times greater than exports. Intra-African trade in cottonseed oil is dominated by the Sudan as an exporter and Egypt as an importer. To the extent that African demand for cottonseed oil is largely met by imports from outside the region, there is big scope for production and diversification particularly in the United Republic of Tanzania, Uganda, Mozambique and Angola.

6. Raw materials for basic industries (copper, iron ore, manganese, phosphates, cotton, sugar, bauxite, tin, zinc, potash, sulphur, fertilizers and acid) b/

43. Due to lack of market organization, specially as regards supply, the rigidity of supply, arising from the lack of processing industries and the structure of production, the effects of the purchasing monopolies of developed countries, the emergence of synthetic substitutes, the trends of African exports in raw materials for basic industries were rather sluggish.

44. African imports of raw materials for basic industries are insignificant and come from outside the continent due to TNC's control over the market and the absence of processing industries which prevents the domestic utilization of raw materials in Africa hence intra African trade could not develop under these conditions. It is nevertheless expected that African industries in the coming years will increasingly diversify and rely on the processing of raw materials available in the continent. It would seem that under these conditions intra-African trade in raw materials for basic industries will be bound to develop by basing itself on the potential of African production in this field and the growing demand for industry in the region.

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b/ For further details see ST/ECA/IAT/1, 2, 3, 4, prospects of intra-African trade in raw materials for basic industries ECA, May 1982.

7. Manufactured goods

45. The analysis of the structure of African trade revealed that the African region was a large net importer of manufactured products such as heavy petrochemical products, chemicals and pharmaceuticals, fertilizers, aluminium items, products of iron and steel industries, wood and wood items, pulp and paper, leather and leather goods, agricultural implements, zinc and tin products, hardware etc...

B. Prospects of Intra-African Trade : Development policies and their impact on intra-African trade

1. Restructuring of African markets

46. African countries now have a clear idea of the importance of subregional markets in their strategy for industrialization and the promotion of their trade. The political will to translate this awareness into reality was concretely demonstrated in the formation of subregional groupings with the aim of phasing out trade barriers of all kinds and promoting investments on a subregional scale :

(a) The membership of the Economic Community of West African States (ECOWAS) includes all 16 countries of the subregion. This calls for a strengthening of the groundwork for integration already laid by such subregional groupings as CEAO and the Mano River Union. Some of the Community's major projects are in the initial phase of implementation (e.g. telecommunications and road networks), opening the way for increased trade. Efforts are currently being made to harmonize the activities of the three organizations. The gradual liberalization of trade and the establishment of Community and multinational enterprises (whose constitutions have already been laid down by CEAO) are expected to contribute to the conversion of existing national markets into one vast West African Market.

(b) In eastern and Southern Africa, 14 countries have already signed the Treaty establishing the Preferential Trade Area for Eastern and Southern African States (PTA) which envisages the reduction and elimination of trade barriers, the establishment of a subregional development bank and co-operation in agriculture and industry through the establishment of multinational production enterprises.

(c) In Central Africa, the Treaty establishing the Economic Community of Central African States (ECCAS) has been signed. The provisions of the Treaty envisage the liberalization of trade and effective co-operation by member States in the productive sectors (industry and agriculture).

47. With this brief overview of subregional organizations concerned with economic integration one can see that Africa south of Sahara has already laid the foundations for three major subregional markets together covering its entire territory and

promising to create the right conditions for the economic development of their member States. On the whole, the establishment of such subregional organizations represents an improvement in terms of geographical coverage and especially of substance, on the policy of integration through trade alone which was the starting point for African bodies seeking co-operation in the 1960s. Africa's current economic integration policy follows a multi sectoral approach covering production, trade and allied transport facilitation mechanisms, communications, finance and other areas.

2 Trade facilitation mechanisms

Financial mechanisms

48. The following mechanisms and institutions have been established to meet the financing requirements of productive activities and the associated communications and payments mechanisms for facilitating trade:

(a) Financing of production activities

49. The West African Development Bank (BOAD), the Central African Development Bank (BEAC) and the East African Development Bank, Trade and Development Bank for Eastern and Southern African States are subregional financing institutions created to support production activities. At the regional level the African Development Bank established under the aegis of ECA has endeavoured from the outset to finance infrastructure and productive investments. All these financial institutions should be strengthened in terms of structure and intervention capacity in order to increase existing security deposits and cope with the growing demand for financing in the African economies.

(b) Payment mechanisms

50. One of the impediments to the development of intra-African trade is the need to use increasingly scarce foreign exchange resources to finance trade transactions. In order to reduce the dependence of intra-African trade relations on foreign interventions, ECA has endeavoured to establish clearing and payments mechanisms at the subregional level, the final objective being to form an African Payments Union:

(i) In West Africa the West African Clearing House serves all ECOWAS countries.

(ii) In Central Africa, the Chambre de compensation des états de l'Afrique centrale intends to channel payments for the Economic Community of Central African States.

(iii) The clearing house for countries members of the Preferential Trade Area for Eastern and Southern African States has been inaugurated, with the Reserve Bank of Zimbabwe designated to serve as its interim;

(iv) Initial studies for the formation of an African Monetary Fund are now in progress.

Regional trade promotion institutions

51. In addition to the payments and clearing arrangements, the following trade promotion mechanisms have set up to deal with specific aspects of relevance to intra-African trade:

(a) The African Regional Organization for Standardization (ARSO) whose role is to harmonize standards and set regional standards;

(b) The Association of African Trade Promotion Organizations (AATPO) whose stated purpose is to provide technical support for its members and coordinate their trade promotion, information, marketing and market study activities;

(c) The African Federation of Chambers of Commerce which is responsible for establishing and/or strengthening chambers of commerce whose role as investment and trade promotion agencies should receive more attention. The Federation also intends to back up trade fairs and exhibitions and to offer guarantee to the various subregional transit agreements in the continent;

(d) The African Trade Centre, was created as part of the secretariat of the Economic Commission for Africa to deal with specific problems of trade promotion at regional level. It was established in implementation of resolution 199 (IX) adopted at the ninth session of the Economic Commission for Africa held in 1969. Resolution 62 (V) of the first meeting of the ECA Conference of Ministers, held in February 1971, defined the principles to be observed by the Centre, and these were later enlarged upon in notes by the Executive Secretary of ECA. The note dated 26 January 1976 defines the functions of the Centre as:

(i) Collecting and disseminating information, and operating, a regional trade information service;

(ii) Assisting ECA member States in trade promotion and market surveys;

(iii) Conducting activities to establish and/or strengthen national trade promotion institutions;

(iv) Supporting the establishment and strengthening of associations of trade promotion organizations and of institutions offering training in techniques for promoting and streamlining trade (import and export) at the national, subregional and regional levels;

(v) Organizing African trade fairs in conjunction with OAU;

(vi) Planning, organizing and carrying out training activities (courses, colloquia, seminars, workshops etc.)

(vii) Engaging in trade facilitation activities in co-operation with UNCTAD (PALPRO).

CONCLUSION

52. To sum up, in the short and medium term, prospects for intra-African trade appear generally good especially for some products such as meat and meat products, vegetable oil, fish products (especially canned and dried fish), shoes, cotton textiles, milk powder, fruits and vegetables, hides and skins, cement. This is so because of ensured profitability in terms of economic and institutional terms the ease with which products can be exported to local markets, the near absence of rigid sanitary requirements, the ease with which trade information can be obtained because of bilateral trade agreements and sub-regional integration schemes actually established and envisaged throughout the African region, and the increasing awareness to promote intra-African trade as a result of the directives given by the Heads of State and Government in the Lagos Plan of Action.

53. There is great potential for intra-African trade in industrial and agricultural products provided trade promotion organizations reorientate their trade efforts towards African markets. There must also be a political commitment by African countries to trade with other African countries. Imports of industrial products from outside the African region could significantly reduced or replaced by those produced within the region if some countries of African countries were to establish and protect their markets. As clearly spelt out in the Lagos Plan of Action, the expansion of intra-African trade in industrial products will also depend upon the extent to which jointly owned African multinational enterprises are established among African countries to deal specifically in such items.

54. To exploit fully the potential of intra-African trade, it will be necessary for feasibility studies to be carried out, inter alia, in order to draw up country production profiles. From these profiles, trade complementarities could be made. The sources of supply for various items in the African region should then be identified. Using these profiles, the amount of imports from which two African countries can be given an incentive to trade with each other could be determined. Clearly, a list of products which African trade promotion organizations should concentrate on in intra-African trade marketing efforts.

55. Intra African trade will significantly improve if necessary measures are taken and institutional arrangements agreed upon for the following:

(a) The attainment of monetary harmonization which will reduce and cancel the adverse effects of currency fluctuations and render trade liberalization mechanisms effective as envisaged in the proposed African Monetary Fund;

(b) The planning and co-ordination of production through multinational co-operation enabling the increased processing of agricultural and industrial raw materials to create the diversified industrial base without which intra-African trade will never expand;

(c) The reorientation of trade distribution networks and their effective control by African private and public business organizations with a view to reducing the adverse impact of TNC's on African economies;

(d) The establishment and/or strengthening of trade promotion mechanisms, including trade information, with a view to up-grading marketing techniques and absorption capacity for African processed goods within the continent.

Table 1. Share of intra-African trade in total trade of developing African countries (values in million US dollars)

Year	Total trade (Africa with world)			Intra-African 1/ trade			Intra-African trade as percentage of total trade %		
	Imports	Exports	Total (Imports + exports)	Imports 2/	Exports	Total (Imports + exports)	Imports	Exports	Total (Imports + exports)
1970	11 070	12 595	23 665	739	672	1 411	6.68	5.34	5.96
1971	12 803	12 995	25 798	773	672	1 476	6.04	5.41	5.72
1972	13 902	15 376	29 278	895	814	1 709	6.44	5.29	5.84
1973	18 330	21 584	39 914	1 166	1 060	2 226	6.36	4.91	5.58
1974	28 419	39 530	67 949	1 812	1 647	3 459	6.38	4.17	5.09
1975	37 944	35 260	73 204	2 116	1 924	4 040	5.58	5.41	5.52
1976	38 200	42 496	80 696	1 537	1 397	2 934	4.02	3.29	3.64
1977	48 062	48 977	97 039	2 036	1 851	3 887	4.24	3.78	4.01
1978	57 060	45 259	102 319	1 894	1 722	3 616	3.32	3.80	3.53
1979	57 427	67 404	124 831	2 922	2 675	5 597	5.11	3.95	4.48
1980	75 338	93 592	169 930	3 159	2 872	6 031	4.14	3.07	3.55
1981	85 158	77 418	162 576	3 352	2 047	6 399	3.94	3.94	3.94
1982	75 484	69 522	145 106	3 081	2 801	5 882	4.03	4.02	4.03
1983	...	...	...	2 201	2 001	4 202	...	...	...

1/ Excluding Zimbabwe.

2/ Imports estimated by adding 10 per cent to exports.

Sources: (i) UN Yearbook of International Trade Statistics, 1978, 1979, 1980, 1981 and 1982 (Volume II.

(ii) UN Monthly Bulletin of Statistics, June 1984.

Table 2: Developing Afr

(thousand

		1981		Imp
		Import	Export	
Meat, fresh, chilled, frozen		735 115	108 585	716
Meat, dried, salted or smoked	(012)	12 024	1 034	14
Meat canned n.e.s.	(014)	83 556	14 242	78
of which sausages	(014.2)	16 310	403	16
Other prepared meat	(014.9)	75 113	13 361	61
Bovine cattle	(001.1)	494 483	325 426	477
Sheep, lambs and goats	(001.2)	332 756	738 626	213
Milk - condensed, dry, fresh	(002)	1036 643	8 143	880
Butter	(023)	342 241	1 390	272
Cheese and curd		125 551	232	108
Eggs in shell		101 794	667	116
Cereals (041, 045.1, 045.2, 045.9, 048)		578 829	18 881	551
Wheat + flour + wheat equivalent		362 721	847	348
Rice		1134 651	80 [illegible]	1051
Maize		871 988	65 043	784
Pulses	(054.2)	194 455	43 357	178
Potatoes		80 057	33 928	133
Tomatoes fresh	(054.4)	862	48 103	
Orange + tangerines + clean	(057.1)	6 358	777 517	6
Bananes		23 954	45 813	21
Sugar		2068 853	702 758	1253
of which refined	(061.2)	1675 102	65 416	1033
Coffee green and roes	(071.1)	280 454	2045 882	207
Cocoa beans		7 213	1543 206	5
Cocoa powder		6 176	42 048	4
Tea		271 112	247 756	267
Tobacco unmanufactured		230 505	464 110	250
Beer		95 396	7 073	41
Cotton seed oil		134 427	48	160
Groundnut oil		14 033	51 482	20
Sunflower seed oil		125 393	510	69
Olive oil		104 149	103 551	83

...a's imports and exports selected items

...of United States dollars)

...1982		1983*		Trade Balance (Export-Import) 1981	1982	1983
...t	Export	Import	Export			
...47	96 436	786 595	113 142	-625 530	-616 309	-675 453
...31	511	10 701	475	-10 990	-13 520	-10 226
...11	13 203	83 701	14 840	-79 314	-65 808	-68 053
...89	339	21 463	270	-17 310	-16 850	-21 413
...09	12 171	62 219	14 048	-61 732	-49 636	-48 170
...05	280 981	542 110	267 295	-169 054	-187 024	-274 815
...56	256 273	242 742	202 237	-82 632	94 917	-40 485
...78	3 067	899 717	1 032	-1027 500	-907 611	-898 685
...81	2 062	300 137	1 900	-340 851	-270 113	-298 237
...13	1 382	143 579	70	-125 319	-108 831	-143 509
...02	535	104 147	790	-101 132	-117 637	-103 357
...93	17 142	486 170	16 123	-581 240	-534 856	-441 087
...89	301	317 900	23	-362 274	-347 665	-317 860
...12	15 464	983 108	12 447	-1080 723	-1036 453	-980 661
...82	56 703	673 184	78 121	-816 945	-747 313	-800 980
...87	66 195	157 076	70 404	-150 493	-112 202	-86 672
...37	61 943	95 219	59 114	-46 129	-91 510	-36 105
...89	37 950	1 006	38 171	45 241	37 181	37 185
...93	250 581	5 823	253 194	271 159	244 218	253 571
...75	40 705	11 095	32 678	21 859	10 030	21 544
...33	561 201	1096 803	546 073	-1364 095	-872 832	-347 730
...45	43 387	696 246	28 684	-1809 784	-909 486	-868 562
...24	2220 953	271 697	2144 802	1765 226	2013 129	1872 705
...77	1311 230	6 402	1272 353	1536 073	1305 653	1255 951
...71	25 510	5 920	29 809	35 678	20 539	23 889
...78	272 898	260 875	311 088	-23 354	-5 220	50 213
...71	423 586	272 342	379 326	233 605	173 285	106 984
...68	6 242	37 660	6 327	-48 323	-33 806	-31 533
...63	2 142	89 032	-	-134 376	-156 021	-89 032
...16	129 449	17 665	109 540	37 448	109 063	81 655
...90	483	145 150	-	-124 663	-89 157	-145 150
...2	104 236	98 184	37 854	-536	21 124	-61 330